

97-84245-10

National Board of Fire
Underwriters

Report of Executive
committee of the National...

[S.I.]

[1869]

97-84245-10
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

BUSINESS

National board of fire underwriters.
Report of Executive committee of the National
board of fire underwriters, April 21st, 1869 ...
[1869]
23 p. tablos. 23 cm.

Caption-title.
Signed: D. A. Heald, chairman.

206642

Cal 9 48

RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries.

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 10:1

IMAGE PLACEMENT: IA ☒ IIB

DATE FILMED: 11-13-97

INITIALS: AP

TRACKING # : 29404

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

National board of fire
underwriters.

Report of the
Executive committee.

AD 810.31—N213

D810.31 N213

Columbia University
in the City of New York

LIBRARY



School of Business

Bu
31-20701

REPORT OF EXECUTIVE COMMITTEE

National Board of Fire Underwriters.

April 21st, 1869.

MR. PRESIDENT AND GENTLEMEN:

The fourteen months that have elapsed since the last Annual Meeting of this Board have proved less severe to the general Insurance interests in the United States than any like number of months since the close of 1863. It is a matter of encouragement and congratulation that while the amount of premiums has increased, the losses have decreased in a greater proportion, thus diminishing very materially the ratio of losses to premiums received. Returning prosperity and a more perfect knowledge of the laws of underwriting have contributed in no small degree to the favorable results of the past year's business. Much practical good has been accomplished by your organization, but a vast amount of work yet remains to be done, if the business is ever to be reduced to that certainty and exactness which its importance demands. The magnitude of the interests involved justify us in devoting a limited space to a brief review of what has already been done, and to a careful consideration of some of the more fruitful causes of the evils which we all feel are pressing heavily on the general welfare of the underwriting business of the country.

A studious scrutiny of the statistics of the past may reveal more clearly the fundamental principles upon which the business must be conducted, if the results are to be at all commensurate with the demands of the insured public for ultimate indemnity and security.

LABORS OF THE PAST YEAR.

Since the organization of the National Board, in July, 1886, four hundred and seventy-five local Boards have been organized, embracing the more important towns and cities of the country. A large number of these Boards embrace whole counties, and several embrace two or more counties, under one organization. Of these seventy-five have been organized since our last report. Nearly all of these Boards are now working harmoniously, and to the satisfaction alike of the companies and their agents. There are, however, places where the local Boards have been broken up or demoralized by the waywardness or bad faith of agents, who, to the detriment of the true interests of their principals, have sought their own immediate profit, by an utter violation of their pledges, and a wanton disregard of all conservative maxims of sound underwriting.

Eighteen hundred and twenty-four Tariffs are now on file in the rooms of the Executive Committee, of which three hundred and ninety have been made since your last meeting. Many of these Tariffs have been revised by competent committees, irregularities corrected, and rates modified wherever the nature of the risk would permit, or the combined experience of the companies would warrant a modification. Others, where a necessity for revision is believed to exist, have not been revised, for want of competent committees for such service. The formation of new Tariffs has been limited to our supply of the requisite aid for such duties, and must continue to be thus restricted, unless the Board shall institute a Bureau of Rating, with power to employ skilled and

experienced men, who shall be paid for their services, and be responsible alone to the Board for the proper discharge of this important duty. In addition to the regular tariffs thus made, hundreds of extra and special hazards, in various parts of the country, have been surveyed and rated, and a number of important classes of risks have been subjected to a standard survey, by which an approximation to a proper rate has been attained, where it was found impracticable to reach the detached risks by organized committees. The work of Rating is but just begun, and should now be pressed with new vigor and greater efficiency, to the end that equal and proper rates may be obtained, and every just cause of complaint on the part of the insured removed. The mode of accomplishing this most desirable object will be presented more at length in the report of your Committee on Local Boards, Rates and Commissions, to which your careful attention is invited. The diffusion of information has formed no inconsiderable part of our duties during the past year, in which 24,000 slips containing Special Ratings, modifications of tariffs and notices, 6,345 printed and written Tariffs, 800 copies of Proceedings of the National Board and 1,800 copies of Proceedings of your Executive Committee, together with 600 resolutions relative to Dwelling Rates, 400 Lists of Tariffs, 475 Instructions to Local Boards, 475 Local Tariffs and 2,200 Miscellaneous Documents, in all 37,095, have been distributed, and a correspondence conducted involving the receipt of 6,950 letters, and the writing of 6,500 in reply, all of which has been done by the employment of one Secretary, one Corresponding Clerk, one Assistant a part of the time, and a boy. These facts are mentioned to apprise the members of the Board of what has been accomplished with the limited means employed, and to enable them to determine what is yet required, if our system is to be perfected and brought to that satisfactory condition to which we aspire.

The Proceedings of the Executive Committee, at their meeting held in Baltimore on the 16th and 17th days of June,

D810.31
N213

Business

and at Chicago on the 21st, 22d and 23d days of October, together with those of the recent meeting held in New York on the 24th and 25th days of February last, have been circulated, and will require no further notice at this time, except the brief statement that only nine convictions have been reported under the Chicago Compact, all of which except one are now before the designated Committees of Appeal, or in process of investigation.

LEGISLATION.

On the important subject of State legislation, your Committee have endeavored to give effect to the views expressed by the Board at its last meeting; and in two of the great States of the West, Illinois and Missouri, laws similar to those of New York have been enacted. Other States have modified their laws by removing some of their obnoxious requirements, and we confidently expect still further improvement, whenever the propriety of such modifications shall have been demonstrated by arguments drawn from the practical and beneficial results in those States which have adopted a wise and liberal policy towards Insurance Companies of other States.

It is a matter of encouragement that wherever the arguments and necessity for conservative legislation on these subjects have been presented before the legislators, we have received an attentive hearing, and a more intelligent sentiment has been created, which will in time develop itself into wholesome enactments. We may safely say, that nearly all the adverse or oppressive legislation which has weighed so heavily on us in the past has been either the result of ignorance or of the want of a proper appreciation of the relation of these great interests to the true interests of the people, and of the States which have enacted such laws. No sound and well managed Company will refuse to comply with requirements which call for full statements of the

real condition and financial strength of such company, and all laws having this object as their end should receive the hearty support of every honest underwriter in the land. Good companies, as well as the insured public, have suffered severely from the want of such laws; and while the people where such laws did not exist or were indifferently enforced have been defrauded and grossly wronged by irresponsible and worthless adventurers, the odium of such fraud has attached itself in the minds of the public too often to Companies entitled to their fullest confidence and respect. The insured public have been over credulous, and are beginning to demand protection against such frauds, or at least the means of protecting themselves against them, by having placed before them the facilities for judging in the form of clear and concise statements of the financial condition of each applicant for their patronage. This Board, embracing as it does nearly all of the strong Companies of the country, is largely interested in the enactment of such laws as shall clearly disclose their own strength, and expose to public condemnation the worthlessness of those, who, under the assumed garb of honesty and the loose requirements of the law, go forth to prey upon the best interests of those who seek protection for their property by legitimate insurance. While it has been the aim of your Committee to diffuse information on this subject, and awaken public attention to these wrongs, there is no less a work to be done by each Company and its agents, in the formation of a correct public sentiment, and a direct influence on those in whose hands is placed the power to enact just and wholesome laws. This matter has been very ably presented in the reports of the Committee on Laws and Legislation at the several meetings of the Executive Committee, and the same are recommended to your consideration at this time. It is to be hoped that a patient and persistent presentation of the reasons influencing us, accompanied by well directed efforts, will at no distant day result in wise and uniform laws in all the states where none now exist.

TAXATION.

The subject of National Taxation was discussed at considerable length at your last Annual Meeting, and a Committee appointed to urge upon Congress the propriety of a modification in the tax of one-and-a-half per cent. on gross receipts. That Committee have been unable to secure a hearing under circumstances at all favorable to success, and the matter is again referred to you for further consideration and action. This tax yielded in the year 1868, \$1,288,745 79, and indicates that the premium receipts of all the Insurance Companies in the United States, subject to such tax, were, during that year, \$85,916,386. This sum embraces Fire, Inland, and Marine premiums, and from the best available means of determining how large a proportion is derived from each, we may fairly assume that the Inland and Marine premiums do not exceed one fourth part, leaving the gross fire premiums approximately at \$65,000,000 for the year 1868. The average percentage of Losses to Premiums, on Inland and Marine risk, is much greater than on Fire risks, being about 72 per cent., according to the Report of the Massachusetts Commissioner. We may safely assume that sixty per cent. of this gross sum of \$85,916,386 has been eaten up by losses, and that upon the balance a tax has been paid, equal to $3\frac{1}{2}$ per cent. In other words, the Government has collected a tax of $1\frac{1}{2}$ per cent. on \$51,549,831 of losses paid by the Company during 1868,—a process that looks very much like taking from him that hath not, and giving to him that hath. But this is not all. The published statistics for the past ten years show that the cost of conducting the business of Fire Insurance has been but a trifle short of 30 per cent. If therefore we add this to the 60 per cent. absorbed by losses, there will remain of this sum only one-tenth to the Companies, from which a tax equivalent to 15 per cent. is thus deducted. In addition to this, whenever this apparent profit becomes available for dividends, or is divided, there is another tax of five per cent. to be paid. So that in fact every dollar,

that is made from the business as such, is subject to a tax of 20 per cent. Was there ever so monstrous a tax levied upon any business? Can any legitimate business sustain such excessive taxation is a question that appeals to us at this time. We venture to say that no class of business is so severely and unjustly taxed. In view of the small margin of profit, which will be more fully discussed hereafter, this question of National Taxation becomes one of vital importance to us as Underwriters, and should be made the subject of special attention and effort by this Board. It is not probable that Congress, when fully informed of the unequal and oppressive character of this tax, will refuse modification so as to equalize it with other taxation. A vigorous and persistent effort should be put forth by this Board to secure its repeal altogether, or at least such a material reduction as shall lessen the burden so unjustly put upon these great interests.

OVER-INSURANCE.

Of the many evil practices that have grown up in the business of Fire Underwriting, none has been more prolific of loss than that of "over-insurance." This evil has become so conspicuous as to alarm the public, and has called forth from the public press most severe and deserved criticism. In a number of the States it has been brought before the Legislatures, and a compulsory limitation sought where our endeavors have failed. There is not an Underwriter in the country, worthy of the name, who does not admit the magnitude of the evil produced by over-insurance; experience will sustain the assertion that one-third at least of the losses on personal property are found to be on property largely over insured. Under the most favorable circumstances, the practical Underwriter finds great difficulty in retaining the due relation between insurance and value. This difficulty is increased fourfold, when that most pernicious privilege for other insurance without notice is granted; for under it all control of the subject is lost, and it becomes

impossible to retain with any certainty even the slightest interest on the part of the insured in the preservation of his property. Not only does the granting of this privilege *permit*, but it *induces* large excess of insurance over value, and holds out a direct and too often an irresistible temptation to *fraud* and *arson*. The control over the relation between insurance and value has from the earliest days of underwriting been regarded as an indispensable safeguard against fraud, and one of the most stringent conditions in our policies has been adopted for the sole purpose of securing at all times a pecuniary interest on the part of the insured in the care of his property. How wantonly this old landmark of the business has been removed, the increase of fraud during the past few years bears convincing testimony. Underwriters have a responsibility in this matter, and the public have a right to demand radical reform. So long as Underwriters throw temptation in the way of the insured, however honest he may be, they have no reason to complain if their practice returns to them a prolific harvest of losses. Especially does this temptation become most efficient, when payment of losses follows so swiftly upon the fire as to appear to the casual observer the cause, and not the result. This practice of over-insurance must be corrected by our own efforts, or it will soon assume such proportions as to demand the interference of the law. Whether this reform shall come through greater care and prudence on our part, or by the adoption of such a policy as shall in no case be liable for more than a certain proportion of the loss, or a conditional liability governed by the origin of the fire, is for you to determine. The matter has already caused much discussion, but the evil is as yet unremoved.

INCENDIARISM.

Although no extensive conflagrations, like those which have made many of the past years memorable in the history of Fire Insurance, have occurred since we last met, the loss re-

cords of nearly all will bear testimony that the torch of the incendiary has not been idle during that time. The numerous convictions for crime in various parts of the country fully justify all that has been said by your Committee, and also furnish gratifying evidence that this nefarious trade has not been plied with the usual impunity of former years. The number of convictions for arson during the past year far exceeds those of any former year, and they are to be attributed in part to the direct efforts of members of this organization and the awakened attention that has been called forth by the discussions of this Board and its Committees. The amount of losses, which are the direct result of arson, is *enormous*; the crime is increasing every year. Individual cases attract little or no public attention, and even with practical underwriters who may suffer by them are soon forgotten; but when aggregated their amount is truly alarming. In order to arrive at some approximate percentage of losses which are the result of incendiarism, your Committee issued a circular to all the Companies, asking an estimated percentage of losses which each had good reason to believe were the result of design on the part of the insured, or the direct act of an incendiary. To this circular seventy Companies have responded, and the average estimate is 32 per cent. It is not claimed that entire accuracy has been obtained by this estimate, but coming as it does from so many independent sources, and made with considerable care, it is believed to be as near the correct figure as the present condition of our information will permit. One thing, however, is certain, the figures are sufficiently correct to alarm the public and induce greater caution on our part as to the character of the parties to be insured.

The foregoing estimate finds a strong corroboration in the following statement furnished by E. B. Fellows, Esq., President of the Rutgers Insurance Company, embracing the amount paid for losses by incendiary fires in the City of New York, from June 1, 1854, to Nov. 30, 1866, and giving for that time an average of $33\frac{10}{100}$ per cent.

	WHOLE NO. OF FIRES.	INCENDY FIRES.	TOTAL AM'T OF LOSSES PAID.	PAID ON LOSSES BY INCENDY FIRES.
For the 6 months end'g Nov. 30, 1854	180	94	507,342	149,355
For the year ending Nov. 30, 1855	337	117	1,062,441	336,948
" " " " 1856	309	78	1,107,150	153,586
" " " " 1857	348	106	1,033,629	408,680
" " " " 1858	306	77	611,994	166,543
" " " " 1859	289	71	617,913	240,104
" " " " 1860	443	130	1,929,349	267,482
" " " " 1861	338	91	1,182,402	454,106
" " " " 1862	331	97	1,298,344	450,678
" " " " 1863	359	95	1,034,365	357,020
" " " " 1864	378	129	2,048,737	443,187
" " " " 1865	347	108	6,466,610	3,066,783
" " " " 1866	422	90	4,783,729	1,414,630
Total for 12 years and 6 months,	4,387	1,288	\$23,679,005	\$7,909,002

NOTE.—The foregoing does not include the losses occasioned by the riots of July the 14th and 15th, 1863. The property burned and destroyed at that time amounted to between two and two-and-a-half millions of dollars, for which the City and County were held liable.

These results, imperfect as they necessarily are, cannot fail to satisfy any reasonable man of the magnitude of the evil with which we have to contend, and it can hardly be doubted, that accurate statistics, if they could be obtained, would largely increase the amount of property thus really destroyed by design.

To the underwriter, it would seem to be simply a question of arithmetic to so adjust the rates as to certainly cover the largely increased percentage of losses from this source, and to us, divested of our obligations as good citizens, it appeals only as a question of our ability to obtain rates high enough to protect us against these enemies of society. Such a narrow view of the subject, however, would be unworthy of this or any other body of business men. The destruction of property by fire from accidental causes merely, whether insured or not, is just so much loss to the Commonwealth, and as such becomes a question of political economy in which every citizen has an interest more or less direct.

But when property is destroyed by design, the question becomes one not only of a pecuniary interest, but one of

the highest import to public morals, which demands investigation and punishment adequate to the crime. It may be claimed that Insurance Companies are not the administrators of the law, or guardians of the public morals, but it is nevertheless true that they have no moral or legal right to compound a felony, or, for immediate advantage in the settlement of losses, to permit persons guilty of the crime of arson to go unwhipped of justice. Even as a pecuniary question, the arrest and conviction of incendiaries will be found a good investment, and a decrease or entire cessation in particular localities of incendiary fires will reward efforts in this direction. But there is a higher point from which to view these obligations,—that of duty to the State and the people. Deriving our corporate life from the State, and brought in more immediate contact with this crime, and ordinarily the first to discover it, our plain duty to the State requires of us rigid investigation and due presentment before the officers of the law of all cases found to be of this character from reliable evidence, and a *constant* and *energetic* care of such cases, until conviction is followed by punishment. A few years of faithful effort and hearty co-operation with the authorities will check the evil, and enable us to reduce rates of premium which have been largely and necessarily increased to guard against losses now well recognized as forming at least thirty-three per cent. of the grand aggregate which the insured public are compelled to pay from year to year in consequence of a crime, the magnitude of which is equalled only by the wickedness with which it is planned and executed.

STATISTICS OF FORMER YEARS.

We have now arrived at that point in our history where we may with profit to ourselves take an observation from the signs of the times and the recorded facts of the past. We have before us statistical information sufficiently accurate to enable us to make such observation reliable and productive of the best results. And we are now to find in the teachings of the past a sure and infallible guide to

our future conduct, unless "through our own folly, experience, as is too frequently the case, like the stern lights of a vessel, is to throw light only on the path we have passed."

PERCENTAGE OF PROFITS.

The following table will exhibit the actual profits realized from capital and business for ten years, from 1859 to 1868 inclusive, and embraces in separate divisions all Companies chartered by the State of New York, and those from other States doing business in the State of New York. The third sub-division presents both classes in the aggregate, and includes all the leading American Companies.

TABLE I.*

1. INSURANCE COMPANIES OF THE STATE OF NEW YORK.

YEAR.	CAPITAL.	DIVIDENDS.	PERCENTAGE.
1859	20,007,000	2,851,722 74	14 25
1860	20,459,860	2,469,090 05	12 05
1861	20,282,860	2,111,788 76	10 41
1862	20,432,860	2,043,808 01	10 00
1863	22,632,860	2,021,742 51	8 56
1864	28,807,070	2,183,370 94	8 62
1865	31,557,010	2,621,284 30	8 30
1866	30,649,660	2,073,375 79	6 76
1867	28,861,232	2,272,237 96	7 87
1868	29,261,232	2,752,101 00	9 40
Aggregate.	253,974,614	23,703,612 06	9 33

2. INSURANCE COMPANIES OF OTHER STATES.

YEAR.	CAPITAL.	DIVIDENDS.	PERCENTAGE.
1859	12,851,315	1,743,628 00	14 11
1860	9,515,900	1,367,051 92	14 36
1861	9,101,400	1,138,961 00	12 51
1862	9,401,400	1,280,668 00	13 62
1863	9,613,900	1,542,589 00	16 04
1864	12,632,875	1,658,003 48	12 15
1865	12,725,740	1,995,322 81	15 67
1866	13,760,690	1,295,674 91	9 41
1867	16,750,000	1,502,069 00	8 96
1868	19,851,720	2,275,843 00	11 46
Aggregate	125,894,940	15,800,031 12	12 55

* Results for 1868 taken from tables furnished by *The Spectator*.

3.

AGGREGATE.

YEAR.	CAPITAL.	DIVIDENDS.	PERCENTAGE.
1859	32,858,315	4,595,350 74	14 19
1860	29,998,760	3,836,141 97	12 78
1861	29,384,260	3,250,749 76	10 06
1862	29,834,260	3,324,566 01	11 11
1863	33,246,760	3,567,331 51	10 72
1864	41,629,945	4,141,374 42	9 94
1865	44,282,750	4,616,607 11	10 42
1866	44,410,350	3,369,250 70	7 81
1867	45,611,232	3,774,326 96	8 27
1868	49,112,952	5,027,944 00	10 23
Aggregate	379,869,584	39,503,643 18	10 39

This table, and those which follow hereafter, are introduced to show the details from which we generalize, and to force conviction of the truth of our conclusions, where opinion or mere assertion of well-known facts might fail to satisfy and convince. From the above table it appears that including the earnings of capital, which during that time have not been less than 9 per cent., the net average profit of the business has been only 10³⁹/₁₀₀ per cent. But this does not reveal the whole truth, for during that time \$6,768,623 of actual capital have been absolutely lost, and should be deducted from the aggregate of dividends for that time. This done, will give us only \$32,735,020.18 as the actual net results, so far as the divided profits disclose them. It may properly be urged, that the net surplus of the Companies over actual and contingent liabilities would increase this percentage. The gross Capital of all the Companies doing business in New York at the *beginning* of 1859 was \$31,141,902, their gross Assets \$48,135,056.46, their gross Liabilities including re-insurance \$8,109,063.61, and their Net Surplus over Capital and Liabilities \$8,884,090. At the close of 1868, the gross Capital was \$49,112,952, gross Assets \$90,972,559, and gross Liabilities \$26,815,445, and Net Surplus over Capital and Liabilities \$15,044,162. It would thus appear that the divisible profits yet undivided amounted to \$6,160,072. To determine the actual profits of

the business, *as a business*, we should deduct the enhanced value of the Stocks held by the Companies, embracing, as is well-known, a large amount of Government Securities. But as we have no reliable data from which to make the calculation, we have been compelled to omit any deductions on that account. If, therefore, from the amount of dividend we deduct loss of Capital and add difference in net assets derived from the business, we shall have the sum of \$38,895,091 as the net divisible profits of the business for ten years on an aggregate capital of \$379,869,584, or an average yearly percentage of 10.23 per cent.

Mr. Barnes' Reports for this period show that the income of the New York State Companies from sources other than premiums was not less than 9 per cent. on capital.

It is fair to presume that the capital of companies from other States has earned about the same as those of New York. If so, the net earnings of the business as such, irrespective of earnings of capital, have been only 1.23 per cent., a figure utterly insignificant in view of the nature of the business, and the risks assumed.

PERCENTAGE OF LOSSES.

Laying aside the question of Capital, we propose to inquire from other sources into the results of the business *as such*, and have prepared the following table, showing the gross Fire Premiums received, the Fire Losses paid, and the percentage of the latter to the former for the same period, from 1859 to 1868 inclusive, and in separate classes, as in the first table.

TABLE II.

1. INSURANCE COMPANIES OF THE STATE OF NEW YORK.

YEAR.	FIRE PREMIUMS REC'D.	FIRE LOSSES PAID.	PERCENTAGE.
1859	6,299,688 16	2,681,986 08	42 57
1860	6,710,412 27	3,578,934 15	53 33
1861	6,161,607 88	3,274,115 21	53 14
1862	6,866,355 69	4,227,157 44	61 56
1863	8,987,315 81	3,349,945 22	37 27
1864	13,325,783 32	7,195,271 84	54 00
1865	17,052,086 97	12,046,793 77	70 65
1866	20,786,847 47	15,312,751 13	73 67
1867	21,012,050 18	12,229,492 80	58 20
1868	20,261,031 00	10,059,502 00	49 64
Aggregate.	\$127,463,078 75	\$73,955,949 64	58 02

2. INSURANCE COMPANIES OF OTHER STATES.

YEAR.	FIRE PREMIUMS REC'D.	FIRE LOSSES PAID.	PERCENTAGE.
1859	8,113,770 40	5,349,261 33	65 92
1860	5,156,186 18	3,414,696 75	66 23
1861	4,365,819 88	2,975,574 58	68 16
1862	4,442,063 30	2,829,574 13	63 70
1863	5,092,342 32	2,507,080 42	45 84
1864	6,815,389 36	4,161,353 13	61 06
1865	8,367,592 58	5,217,824 56	62 36
1866	11,494,557 29	8,600,994 74	74 83
1867	15,150,088 27	8,588,777 07	56 69
1868	16,957,132 00	9,055,440 00	53 40
Aggregate.	\$85,894,781 58	\$52,500,526 71	61 12

3. AGGREGATE.

YEAR.	FIRE PREMIUMS REC'D.	FIRE LOSSES PAID.	PERCENTAGE.
1859	14,413,458 56	8,031,247 41	55 72
1860	11,866,548 45	6,993,630 90	58 93
1861	10,527,327 76	6,249,689 79	59 36
1862	11,308,418 99	7,056,731 57	62 40
1863	14,019,658 13	5,656,975 64	40 35
1864	20,141,152 68	11,356,624 97	56 38
1865	25,419,589 55	17,264,618 33	67 91
1866	32,281,404 76	23,913,745 87	74 07
1867	36,162,138 45	20,818,269 87	57 56
1868	37,218,163 00	19,114,942 00	51 35
Aggregate.	\$213,357,860 33	\$126,456,476 35	59 26

Thus it will be seen that the leading American Fire Companies have lost $59\frac{3}{4}\%$ per cent. of their premium receipts, on an average, for ten years. It may be interesting to note in this connection that the average percentage of losses in England is fully up to the figures above named.

We may also note that the seven leading Fire Companies in France, from 1843 to 1848 inclusive, suffered a loss of 55 per cent. of their premium receipts, and this under the more stringent and better enforced laws for the prevention of the crime of arson. The difference in favor of French companies over English and American is doubtless to be attributed in part to the peculiar terms of French Policies, limiting more strictly the recovery for losses under certain circumstances.

Five of the leading German Companies, for the years 1863 to 1867 inclusive, paid out for losses $57\frac{1}{4}\%$ per cent. of their premiums; and all the Fire Companies in Russia, in 1868, suffered a loss of $58\frac{2}{3}\%$ per cent. of their premiums by fire.

It is proper also to remark that Mr. Barnes' Report for 1867, embracing the New York Companies doing Fire, Inland and Marine business, from 1848 to 1866 inclusive, gives us $63\frac{3}{4}\%$ per cent. of Losses to Premiums for that period; while the strictly Mutual State Companies, from 1853 to 1867 inclusive, suffered a loss of $61\frac{1}{4}\%$ per cent.

Commissioner Sandford, in his Report for 1867, shows by tables that the Massachusetts Fire Companies, from 1853 to 1866 inclusive, paid out for losses $67\frac{1}{4}\%$ per cent. of the premium receipts, and companies from other States doing fire business in that State $59\frac{1}{4}\%$ per cent. for the same period, or an aggregate loss on both classes of companies of $60\frac{1}{4}\%$ per cent.

Mr. Barnes, in his last blanks, required companies to give their Premium receipts from their *organization*, and also their aggregate Losses, with this remarkable result:

Total Premiums of New York Companies,	\$178,810,189 64
Total Premiums of Companies from other States,	168,278,489 77
	<hr/> \$347,088,679 41
Total Losses of New York State Companies,	\$100,262,980 19
Total Losses of Companies of other States,	107,067,553 93
	<hr/> \$207,330,534 12

or a grand average loss of $59\frac{3}{4}\%$ per cent., a strong confirmation of a more *uniform* and *certain* law of average than is generally admitted. We have been thus particular in these calculations to the end that when we assume, as we do most unhesitatingly, 60 per cent. as the average percentage of losses to premiums, the inexorable logic of official sworn facts shall convince every reasonable mind of the soundness and truth of our conclusions, despite the assertions of weak and designing men, who claim knowledge above the law, and peculiar exemption from its penalties, for the grossest departure from the fundamental principles of Fire Underwriting.

PERCENTAGE OF EXPENSES.

Germane to the last topic under consideration is the average percentage of expenses to premiums; and the following table embracing the classes of companies separate and in the aggregate has been prepared, and includes total receipts from Fire, Inland and Marine business, the total expenses of conducting the same, and the percentage of the one to the other.

TABLE III.

1. INSURANCE COMPANIES OF THE STATE OF NEW YORK.

YEAR.	NET CASH PREMIUMS RECEIVED, INCLUDING INLAND.	EXPEND'S, LESS DIVID'S, LOSSES AND AMOUNT PAID IN INTEREST ON SCRIP AND REDEMPTION.	PERCENTAGE.
1859	6,421,342 54	2,321,645 30	36 15
1860	7,261,595 52	2,401,741 20	33 07
1861	6,827,736 46	2,394,286 96	35 06
1862	7,742,190 88	2,450,074 66	31 60
1863	10,181,030 42	3,195,594 58	31 88
1864	15,618,603 82	4,955,750 45	31 72
1865	19,620,068 09	6,624,504 98	33 76
1866	25,122,152 86	7,945,067 30	31 62
1867	24,095,970 04	7,962,084 45	33 04
1868	22,449,336 00	7,512,602 69	33 46
Aggregate.	145,840,026 63	47,763,352 57	32 86

2. INSURANCE COMPANIES OF OTHER STATES.

1859	8,113,770 40	1,682,912 09	20 74
1860	6,489,166 97	1,339,562 66	20 64
1861	5,572,908 63	1,096,306 77	19 56
1862	5,662,406 74	1,119,831 32	19 77
1863	6,233,193 52	1,305,255 92	20 94
1864	8,224,918 07	1,906,039 80	23 17
1865	9,899,024 19	2,778,629 30	27 96
1866	12,745,339 41	3,846,302 36	27 98
1867	18,140,089 34	5,162,207 69	28 45
1868	20,576,849 00	6,020,374 00	29 25
Aggregate.	102,657,666 27	26,251,441 91	25 35

3. AGGREGATE.

1859	14,535,112 94	4,004,557 39	27 55
1860	13,750,762 49	3,741,323 86	27 20
1861	12,400,645 09	3,484,593 73	28 10
1862	13,404,597 62	3,569,905 98	26 63
1863	16,414,223 94	4,500,850 50	27 42
1864	23,843,521 89	6,861,790 25	28 77
1865	29,519,092 28	9,403,184 28	31 85
1866	38,867,492 27	11,791,369 66	30 33
1867	42,236,059 38	13,124,292 14	31 07
1868	43,026,185 00	13,532,976 69	31 46
Aggregate.	247,997,692 90	74,014,794 48	29 84

The first class has absorbed 32 $\frac{86}{100}$ per cent. of Premium receipts in expenses, the second class 25 $\frac{35}{100}$, and both in the aggregate 29 $\frac{84}{100}$ per cent. The expenses of English Companies will average about 31 per cent. Those of the French Companies, above referred to, about the same, while the leading Companies of Germany will average not less than 30 per cent. If therefore we assume 30 per cent. in round numbers as the average expense of conducting the business, we shall not be far from the absolute figure. Combining the ratio of Losses with that of Expenses, we find a margin of only one-tenth for *profit, loss of capital, sweeping conflagrations and epidemic periods*. How far this can be trifled with by ignorance or credulity, the public must judge for themselves. To the intelligent and honest underwriter these figures are full of meaning and admonition.

PERCENTAGE OF LOSSES TO RISKS.

Thus far your attention has been directed to the profits of underwriting, and only inferentially to the adjustment of rates to risks. The comparison of losses and expenses with Premiums will go far towards enabling us to form a correct judgment, in view of past rates and experience, on individual risks; but to us, as practical underwriters, it is of vital importance to know the absolute relation between losses and risks assumed, the actual amount of risks we may assume to each dollar of loss, and the average rate of premium on risks written, as affording some safe criterion of judgment as to the aspect of our business in detail, and as a whole. With this view, the following table is submitted to your consideration, embracing *nine* years, from 1860 to 1868 inclusive. (It being found impossible to embrace 1859, as the amount written is not reported.)

TABLE IV.

1. NEW YORK COMPANIES.

YEAR.	FIRE RISKS WRITTEN.	FIRE PREM'S RECEIVED.	FIRE LOSSES PAID.	Percentage of Fire Losses to Prem's.	Percentage of Fire Losses to F. Risks written.	Rate of Fire Risks written to \$100 Loss.	Average Rate of Prem's on Fire Risks.
1860	1,049,551,594	6,710,412 27	3,578,984 15	53.33	3410	293.26	.6392
1861	1,027,112,596	6,161,507 88	3,274,115 21	53.14	3188	313.71	.5999
1862	1,200,721,130	6,866,355 69	4,227,157 44	61.56	3521	284.05	.5738
1863	1,560,687,139	8,987,315 81	3,349,945 22	37.27	2146	465.88	.5805
1864	2,312,666,111	13,325,783 32	7,195,271 84	54.00	3071	325.58	.5688
1865	2,510,595,187	17,052,086 97	12,046,793 77	70.65	4799	208.40	.6792
1866	2,753,493,107	20,786,847 47	15,312,751 13	73.67	5561	179.82	.7549
1867	2,503,847,496	21,012,050 18	12,229,492 80	58.20	4884	204.73	.8399
1868	2,504,999,562	20,261,931 00	10,059,502 00	49.64	4015	249.61	.8088
	17,453,673,922	121,163,390 59	71,273,963 56	58.82	4083	244.88	.6941

2. COMPANIES OF OTHER STATES.

1860	567,887,673	5,156,136 18	3,414,696 75	66.23	6013	166.31	.9079
1861	502,906,639	4,365,819 88	2,975,574 58	68.16	5917	169.01	.8631
1862	529,267,441	4,442,069 30	2,829,574 13	63.70	5346	187.04	.8393
1863	589,513,659	5,082,342 32	2,307,030 42	45.81	3913	255.53	.8536
1864	823,866,793	6,815,369 36	4,161,353 12	61.06	5051	197.98	.8272
1865	917,510,037	8,367,592 58	5,217,824 56	62.36	5687	175.84	.9120
1866	1,176,555,214	11,494,557 29	8,600,994 74	74.83	7310	136.79	.9770
1867	1,308,447,411	15,150,088 27	8,588,777 07	56.69	6564	152.34	1.1579
1868	1,478,624,692	16,957,132 00	9,055,440 00	53.40	6124	163.28	1.1468
	7,894,379,559	77,781,011 18	47,151,265 38	60.62	5972	167.43	.9852

3. AGGREGATE.

1860	1,617,439,267	11,866,548 45	6,993,630 90	58.93	4323	231.27	.7336
1861	1,530,019,235	10,527,327 76	6,249,689 79	59.36	4084	214.81	.6880
1862	1,729,988,571	11,308,418 99	7,056,731 57	62.40	4079	245.15	.6536
1863	2,150,200,798	14,019,658 13	5,656,975 64	40.35	2620	380.09	.6520
1864	3,106,532,904	20,141,152 68	11,356,624 97	56.38	3586	278.82	.6360
1865	3,428,105,224	25,419,589 55	17,264,618 33	67.91	5086	198.56	.7415
1866	3,930,048,321	32,281,404 78	23,913,745 87	74.07	6984	164.34	.8213
1867	3,812,294,907	36,162,138 45	20,818,269 87	57.56	5460	183.12	.9485
1868	3,983,634,254	37,218,163 00	19,114,942 00	51.35	4798	208.40	.9342
	25,348,253,481	198,944,401 77	118,425,228 94	59.52	4671	214.04	.7848

During these eventful nine years, covering the most fearful period of our country's history, the gross premiums on fire insurance have more than tripled, and the last table showing the results of that time will amply repay careful study. In 1860 we paid for Losses $4\frac{23}{100}$ mills per cent., on risks written, the past year $4\frac{73}{100}$ mills per cent., and during the entire nine years an average of $4\frac{67}{100}$ mills per cent. The average of 1868 is therefore in excess of the average of the whole period, yet happily far below that of 1867, and very far below that of 1866, thus showing the advance that has been made, and indicating the causes which have operated favorably to this reduced average as compared with those years; what these causes may have been, and the degree of importance to be ascribed to each are well known to the studious observer of our statistics and of the labors and efforts of this Board, which have conduced so largely to these most desirable results.

In 1860 we could write \$231.27 for every dollar of Loss; in 1868, \$208.40; while the average for the nine years was \$214.04; yet our ability to write during the past year was far greater than in 1867, and greatly in excess of 1866, at which time the lowest average was reached. It is apparent, therefore, that no essential reduction of rates can be entertained with safety to ourselves and the insured, until our ability to write shall equal the general average, at least, of the period named.

The average rate of Premium in 1860 was .7336, in 1865 .7415, in 1866 .8213, in 1867 .9485, and in 1868 .9342, with an average rate for the nine years of .7848, showing that the maximum rate was reached in 1867, while the minimum of loss per cent. for the last four years was reached in 1868. The past year witnessed a reduction of $\frac{1}{100}$ of a mill per cent. in the rate of premiums, and of $\frac{6}{100}$ of a mill per cent. in the average losses. These may seem to be unimportant infinitesimals, but when we consider, as has been demonstrated heretofore, that the margin of profit is less than one-tenth of the premium, and that over twenty-five

thousand million dollars were underwritten during the time under review, we shall more fully appreciate the necessity of having these infinitesimals on the *right* side of our calculations.

CONCLUSION.

In view of these stern and irrefutable facts, and of our own experience as individual underwriters, upon whom the responsibility of results is rightfully placed, it becomes us to inquire, what the exigencies of our position demand. The general fact appears, that the aspect of our business has been improving during the past two years, yet the substantial reforms we desire are unsecured, or at least only partially entered upon. The great problem is still before us, to determine how these indispensable reforms shall be brought about, and the public be in a measure relieved from the burden they are still compelled to bear as the prime sufferers in the immense destruction of insured property. No one understands better than the experienced and intelligent underwriter the principles which underlie a sound and healthy system of insurance, and none should be more ready than this Board to adopt the reform so much needed for the safety of these interests. The importance of systematic statistics on fire insurance, so that some approach may be made to the scientific basis on which we all feel our business should be conducted, the evils of over-insurance, loose underwriting, hasty adjustment and payment of losses, as an encouragement to criminal carelessness, or positive fraud, with a score or more of irregularities that have insidiously crept in upon our business, are before us, and are urged upon our consideration by the arguments of the wise, the history of the past, and the stern logic of each day's experience. It is for us to say by our deliberations here to-day, and the administration of our trusts hereafter, whether the teachings of the past shall be regarded, and the reforms now entered upon be carried forward to complete perfection, or through our disregard of the plainest dictates

of common prudence, and a wanton violation of the inexorable laws of our business, these efforts towards reform shall prove so utterly hopeless as to be attainable only through universal disgust, or imperative law. The latter alternative is too monstrous to be entertained for a moment. The charlatan may for the passing hour be caressed by a credulous public as its friend; the irresponsible knave may for a time deceive the unwary by tempting offers of advantage, and the specious arguments of unscrupulous men may bear an ephemeral sway, but that a business like that of Fire Insurance, commanding, as it does, its full share of skill, talent, integrity and honor, can or will be thrown by the insured public into the hands of men or companies devoid of all these qualities is equally monstrous, and an insult to public intelligence and virtue.

There *is* a law governing our business, certain and universal as the law of gravitation, though we may not as yet know it altogether; we know enough, however, of its principles to guide us safely through a series of years if we but practice what we know. It is a matter of public concern, that these great interests, so intimately interwoven with all the industrial pursuits of the country, should be so conducted as to lessen one of the burdens that now press so heavily upon them, and we should make it our first aim to modify, equalize, and reduce these burdens wherever the nature of the risk will allow, or the maxims of intelligent prudence will permit. To this, let it be fully and widely understood that this Board is cordially and unreluctantly pledged. To secure undoubted indemnity and ultimate security to the insured is our first and foremost duty, profit to capital our second. There is no margin in our business for ignorance or credulity; skill and rigid adherence to the laws that govern it are the only safeguards to ourselves and the public. The stubborn facts which these figures record admonish us of our duty, and future results will demonstrate who of us has most thoughtfully studied the history of the past and acted best his part in the great work before us.

D. A. HEALD, *Chairman.*

[illegible]

COLUMBIA UNIVERSITY LIBRARIES



0048512737

APR 23 1932

MSH 27404

**END OF
TITLE**